

file 87M 6-1

4 May 1960

MEMORANDUM FOR: Chiefs, Operating Divisions
Chiefs, Special Staffs

SUBJECT: Funding of New Projects or Amendments
During the Current Year

1. When any new project or project amendment increasing its funds total is submitted for approval either to Division and Staff Chiefs or to higher authority, the document must indicate that the new costs:

a. Will be absorbed within the current budget allocation of the Division or Staff, or

b. Will be absorbed in part (state the part), or

c. Cannot be absorbed due to lack of funds.

2. Obviously a Division or Staff cannot undertake to absorb such costs unless either:

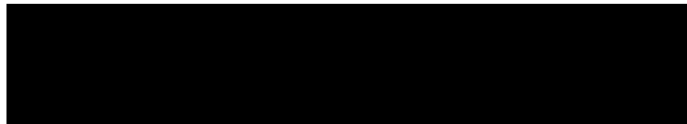
a. The new project or amendment in question was covered in its budget (approved Operational Program) for the year, or

b. The component in question has made firm decisions to reduce commitments covered in its budget in an amount sufficient to permit the new obligations in question to be assumed.

3. When a Division or Staff assumes responsibility for funding a new project or project amendment, this obligation must be regarded as a firm claim on the resources of the component in question (unless or until such claim is subsequently reduced by amendment). The component must make provision to cover such new liabilities assumed during the fiscal year without recourse to funds other than those included in the budget allocation to that component.

4. With respect to overhead (as distinguished from project and operational costs) it is likewise the obligation of each Division or Staff to keep expenses within funds provided in its budget, or, if it appears that for any reason this will be impossible, to provide the earliest possible advance notice that additional funds will be required for this purpose.

5. It should be emphasized that the purpose of calling to your attention and re-emphasizing these established procedures is not to make budgets (established in advance of the beginning of the year) into strait jackets within which all activities must be rigidly confined. Rather the purpose is to ensure that requirements which any component is not going to be able to meet within its own resources are brought to the attention of this office so that they can be reviewed before commitments are made, the possibilities of reprogramming can be examined, and funds can be provided from other sources if the requirements in question are of such priority as to warrant this action. Our total resources are limited, and it is impossible to meet in a flexible and rational manner unforeseen needs which are of such magnitude as to require shifts of funds between components unless the requirements are identified at an early stage.



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(Plans)